

WHY DYED FUEL?

The Federal government requires dyeing of untaxed diesel fuel and kerosene for two reasons.

- To help reduce **tax evasion** by identifying fuel on which excise taxes have not been paid, and
- To help **reduce air pollution** by identifying fuel not suitable for use in highway vehicles.

The loss of fuel tax revenue has been estimated to cost State and Federal treasuries several hundred million dollars annually. Since most of these funds are used for highway and transportation projects, vehicle operators in particular suffer from the loss of revenue caused by tax evasion associated with the use of dyed fuel. Furthermore, dyed fuel makes it more difficult for dishonest individuals to evade the tax and undercut the prices charged by legitimate businesses that are paying the required taxes.

WHAT ABOUT FUEL ADDITIVES?

The law provides that any visible evidence of dye may result in a penalty. The introduction of fuel additives containing any dye puts truckers and trucking companies at risk for the penalty.



Truck fuel inspection

WHAT TO LOOK FOR

The vehicle operator is responsible for the proper fueling of the vehicle and must be alert to any suspicious activity. Any visible presence of dye in the diesel fuel or kerosene disqualifies that product from use in a highway vehicle. Be aware that mixing undyed fuel with dyed fuel will not produce a larger volume of usable product, but will instead make the whole quantity unsuitable for highway use and subject to penalties specified in the Internal Revenue Code.

Observe Pump Labels

IRS regulations require retail pumps dispensing any dyed fuel to be labeled.

**DYED DIESEL FUEL
NONTAXABLE USE ONLY
PENALTY FOR TAXABLE USE**

DO NOT PUT FUEL FROM SUCH A PUMP IN ANY HIGHWAY VEHICLE.

Visually Inspect the Fuel

Never allow unattended fueling of your vehicle. Watch the fueling operation and look at the fuel if sight glasses are available on the fueling hose. Consider carrying a clean, clear plastic container or tube so you can sample the fuel if you have any doubts.

Look for Evidence of Tampering

Visible presence of dye, altered labels, or unreadable receipts should be cause for suspicion.

Must I Allow a Fuel Inspection?

The Internal Revenue Code provides that any person who refuses to allow an inspection will be fined \$1,000 for each refusal. The vehicle may then be detained until an inspection is done.

What are the Penalties?

No dyed fuel may be used in highway vehicles. For each violation, the Internal Revenue Code specifies a penalty of \$1,000 or \$10 per gallon, whichever is greater, plus payment of the tax. States may impose additional fines.

The Environmental Protection Agency also enforces a set of regulations that prohibits the use of red dyed high sulfur diesel fuel in motor vehicles, on or off public highways. The Clean Air Act specifies a penalty of up to \$27,500 per day per violation. For questions concerning EPA regulations, please call (202) 564-1019.



Diesel fuel sample



Dyed low sulfur diesel fuel



Terminal loading sight glass

Questions:

Q: What about fuel to power refrigeration units or other equipment?

A: Dyed fuel may be used as long as it is stored in a separate tank not connected with the tank containing fuel to power the vehicle.

Q: What about driving off-road?

A: Dyed fuel must never be used in the tank of a highway vehicle that is registered or required to be registered. For special rules relating to farm use, contact the IRS.

Q: What if I find someone selling dyed fuel for highway use?

A: Report any such information to the Idaho State Tax Commission at 1-800-972-7660 ext. 7536 or the nearest excise tax unit of the IRS.

Q: What if I find dyed fuel in my vehicle?

A: If possible, you should drain the fuel immediately or risk incurring substantial penalties. Be sure you dispose of the fuel in accordance with all applicable environmental laws. If you purchased the fuel, tax included, contact the person or establishment who supplied the fuel.

FOLLOW THESE PRECAUTIONS:

Know Your Supplier

Be aware that severely discounted prices or other creative rebates that do not appear credible may be an indication of tax evasion. Deal only with trustworthy companies that you know from experience or reputation.

Keep Your Receipts

Make sure all receipts identify the product and indicate where and when it was purchased. You may be eligible to claim a credit for taxed fuel used for a nontaxable purpose, such as in a refrigeration unit.

WHOM TO CONTACT

If you have any questions, or see any evidence of violations, call the excise tax unit of the nearest IRS office.

Call 1-800-TAX-1040
(1-800-829-1040)
for the location of the
nearest office

WHO TO CONTACT?

If you have any questions or see any evidence of violations, call the nearest IRS or EPA field office.

ATTENTION TRUCKERS

NO DYED FUEL ON THE HIGHWAY



U.S. Department of Transportation
Federal Highway Administration



U.S. Department of the Treasury
Internal Revenue Service



U.S. Environmental Protection Agency